
Program Overview: Reducing Total Ownership Costs (R-TOC)

A Presentation to:
Business Managers' Conference
Defense Systems Management College

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14 June 2000

R-TOC Panel Members

- Col. James Stevens (Army)
- Col. Scoop Cooper (Air Force)
- Cdr Ed Rule (Navy)

R-TOC Program Background

- Longstanding concern about impact of declining procurement funds, aging inventory, and continuing high operations/deployment levels
 - Rising O&S costs can consume higher portions of defense budget and cause “death spiral”
- Section 816 of FY99 Authorization Act instructed DoD to select 10 programs to test program manager oversight of life cycle costs
 - OSD expanded this effort into R-TOC initiative

Initial R-TOC Implementation

- May 1999 memo from USD/A&T Gansler instructed Services to focus on three activities:
 - Reliability, maintainability, and supportability improvements,
 - Reduction of logistics cycle time
 - Competitive product support
- DoD “Strategy for Affordability” established 20% O&S cost reduction goal for FY2005
- 30 Pilot programs selected to accelerate R-TOC implementation, validate concepts, and develop “lessons learned” for other programs

R-TOC Pilot Programs

(Section 816 pilots (10) shown in **boldface**)

Army R-TOC Pilots

M-1

HEMTT
HIMARS
Guardrail

AFATDS

RAH-66
ITAS

Apache

CH-47
Crusader

Navy R-TOC Pilots

SLAM-ER

AAAV
MTVR
Common Ship

ASE

CVN-68
LPD-17

H-60 Series

EA-6B
Aegis Cruisers

Air Force R-TOC Pilots

F-16

AWACS
SBIRS

C-5

C-17
JSTARS

B-1

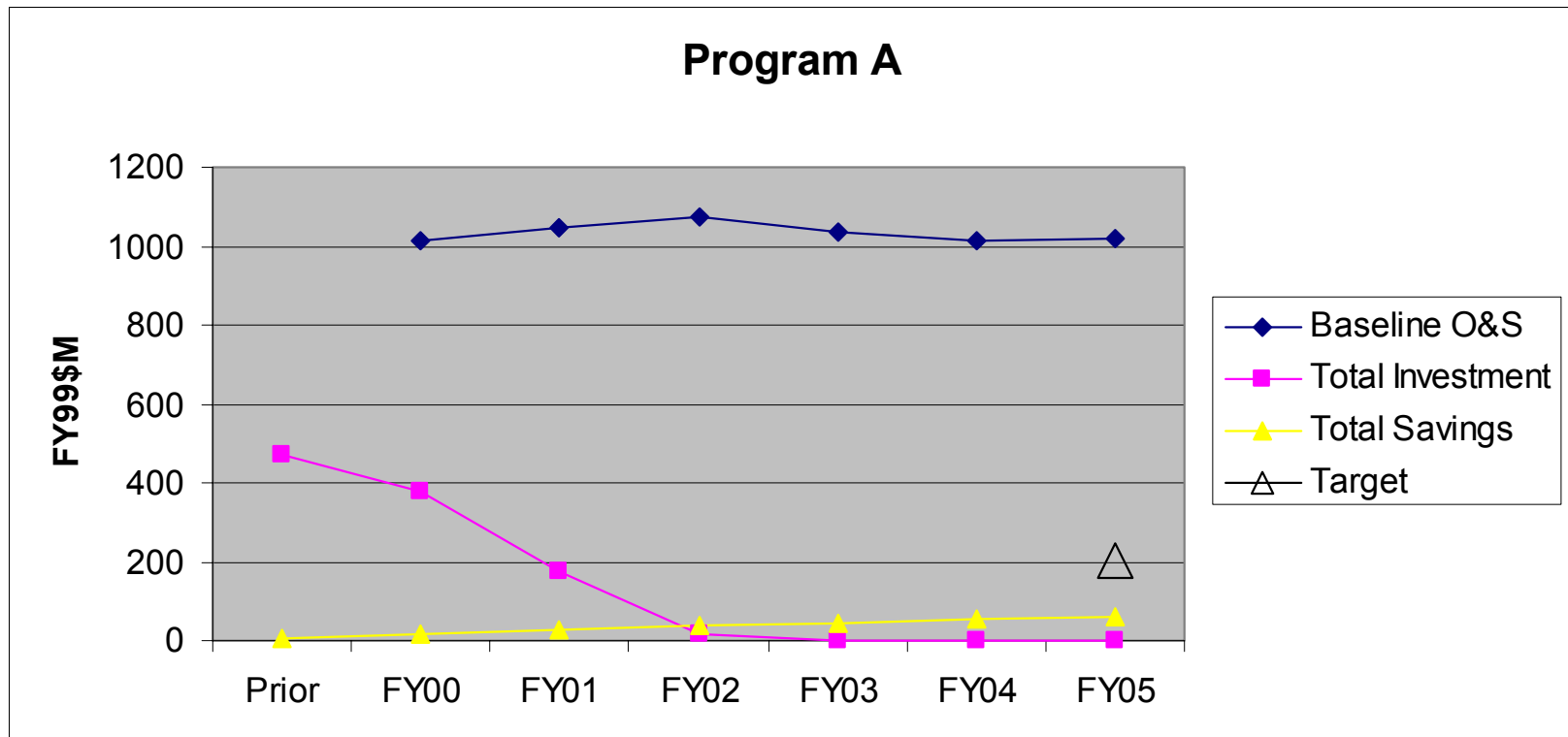
F-117A
Cheyenne Mtn

C/KC-135

Activities by R-TOC Pilot Programs

- During 1999
 - R-TOC cost baselines
 - Implementation plans
 - First R-TOC forum (each Pilot briefed R-TOC plan)
 - Proposed R-TOC initiatives (funded and unfunded)
 - Project ID and justification for PBD 721; PBD approved
- So far this year
 - Quarterly Forums held in February and April (#3 scheduled for July)
 - Quarterly reports and lessons learned
 - Review budget status of Pilot program initiatives
 - Identify and follow-up on special R-TOC issues

Investment and Savings Summary (Example)



Development of PBD

- Identification of unfunded initiatives led to opportunity for new FY'00 budget funding
- Services developed specific budget justifications for key R-TOC projects
 - > 3:1 return to investment ratio desired
 - Payback within the FYDP desired
 - Additional reasons for the projects (warfighting improvements, RM&S savings, workload reduction, quality of life improvements, etc.)
- ~\$13M in R-TOC funds for FY01 approved; Services instructed to fund other initiatives

Observations

- Useful information exchange has been established through Quarterly Forums
- Favorable reaction to PBD 721
 - Recognition within Services that OSD takes this issue seriously
 - Follow-up meetings will provide continuing attention to budgetary issues
- R-TOC projects also improve readiness and some provide quality of life improvements
- No loss of outyear funding (before realization R-TOC savings)